**Question 1**

**The following trial balance is for G plc as at 31/12/2022.**

**£000 £000**

|  |  |  |
| --- | --- | --- |
| £1 Ordinary share capital |  | 10000 |
| 6% Debentures |  | 2000 |
| 3.5% Long term bank loan |  | 600 |
| Retained profits |  | 3900 |
| Purchases & sales | 25000 | 30000 |
| Receivables & payables | 1050 | 1000 |
| Opening inventory | 5000 |  |
| Buildings at cost | 3000 |  |
| Buildings – accumulated depreciation |  | 1000 |
| Freehold land at cost | 10000 |  |
| Vehicles at cost | 2000 |  |
| Vehicles – accumulated depreciation |  | 500 |
| Cash | 2 |  |
| Bank | 8 |  |
| Audit fee | 150 |  |
| Bad debt | 10 |  |
| Directors’ remuneration | 300 |  |
| Salaries & wages | 400 |  |
| Rates & insurance | 520 |  |
| Administration expenses | 600 |  |
| Selling expenses | 482 |  |
| Debenture interest paid | 90 |  |
| Interest on bank loan | 21 |  |
| Interim ordinary dividend paid | 320 |  |
| Miscellaneous expenses | 47 |  |
| Totals | 49000 | 49000 |

**Additional information as at 31/12/2022**:

* Inventory valued at £7,000,000.
* Accruals: wages: £100,000, audit fee £50,000 and administration expenses £200,000.
* Insurance prepaid - £120,000.
* Depreciation of buildings - 5% on straight line
* Depreciation of vehicles - 25% on reducing balance basis.
* The directors wish to provide £500,000 for taxation.
* The directors propose a final ordinary dividend of 14p per share.

**Required:**

**(a) Income Statement for the year ended 31/12/2022. [18 marks]**

**(b) Statement of Financial Position as at 31/12/2022. [18 marks]**

**Question 2**

The financials for BC plc are summarised below:

**Income statement (extracts) for the y/e 31/12/2022 (in £000s)**

Sales revenue 1,650

Cost of sales (1,070)

Expenses (110)

**SOFP (extracts) as at 31/12/2022 (in £000s)**

|  |  |
| --- | --- |
| Inventory | 250 |
| Trade receivables | 300 |
| Prepayments | 5 |
| Bank & cash | 10 |
| Trade payables | 80 |

Key financial indicators / ratios for BC plc for 2021 are:

|  |  |
| --- | --- |
| Gross profit ratio | 30% |
| Net profit ratio | 20% |
| Current ratio | 1.8:1 |
| Acid test | 1.1:1 |
| Receivables ratio (days) | 30 |
| Payables ratio (days) | 40 |
| Inventory holding (days) | 60 |

**Required:**

**a) Calculate equivalent ratios for BC plc for 2022. [14 marks]**

**b) Discuss a comparative performance of BC plc using the ratios**

**that you have calculated for 2022. [16 marks]**